

AR06

NORTH WEST TRUST CO. 1983

Francis G. Winspear Collection
Faculty of Business
University of Alberta



*Twenty-Sixth
Annual
Report
1983*



Directors

- ** Stephen D. Adams, B.A., M.A.
- *
- Gordon Arnell, B.A., L.L.B.
- ** R. Larry Hitesman, B. Comm., C.A.
- *
- ** Irving Kipnes
- *
- Douglas R. Matheson, B.A., L.L.B., Q.C.
- ** Daniel O. McCormack
- *
- ** Lawrence G. Rollingher
- *
- Roy G. Wilson
- ** Norman Witten, B.A., L.L.B., Q.C.
- *
- ** Members of Executive Committee
- * Members of Audit Committee

Executive Officers

Lawrence G. Rollingher
Irving Kipnes

Stephen D. Adams, B.A., M.A.
Daniel O. McCormack
R. Lawrence Nicholson, R.I.A.
Barbara J. Belch, M.B.A.
David R. Gourlay, R.I.A.
Erwin Granson, R.I.A.
Denis LePage, M.T.C.I.
Douglas R. Matheson, B.A., L.L.B., Q.C.
Alan K. Olinyk, B.Comm.
Donald V. Roberts
W. Guy Scott, B.Sc., M.Sc.

Secretary

David B. Margolus, B.A., L.L.B.

Head Office

7th Floor, 10201 - Jasper Avenue,
Edmonton, Alberta
T5J 3R3
Telephone: (403) 420-6071

Stock Exchange Listing

Alberta Stock Exchange

Registrar and Transfer Agent

North West Trust Company

Bankers

Royal Bank of Canada
Treasury Branches of Alberta

Affiliates

Businessman

President, Dover Park Development Corporation Ltd.
Controller, North West Financial Corporation

Secretary, North West Financial Corporation

Barrister and Solicitor, Matheson and Company
Acting President, North West Trust Company

President, North West Financial Corporation

President, Carma Developers Ltd.
Barrister and Solicitor, Partner, Witten, Vogel, Binder & Lyons

Position

Chairman of the Board of Directors
Chairman of the Executive Committee of the Board of Directors
Chief Operating Officer
Acting President
Senior Vice President and Chief Financial Officer
Vice President, Investments
Vice President, Branch and Agency Operations
Controller
Vice President, Mortgage Underwriting
Vice President
Vice President, Real Estate/Asset Reduction
Vice President, Marketing
Vice President, Real Estate/
Mortgage Recovery and Asset Rationalization

Barrister and Solicitor, Partner, Witten, Vogel, Binder & Lyons

Auditors

Clarkson Gordon
Chartered Accountants

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Financial Highlights

Year ended December 31, 1983

(In Thousands of Dollars except per share figures)

	<u>1983</u>	<u>1982</u>	Increase (Decrease) %
Gross Operating Income	\$ 92,440	\$ 87,817	5.3
Net Income for the year	2,023	2,374	(14.8)
INVESTMENT ASSETS			
Securities	90,948	63,628	42.9
Mortgages and Loans	462,160	397,474	16.3
Revenue Properties	103,802	85,483	21.4
Total Assets	767,818	654,993	17.2
Customer Liabilities	610,470	525,819	16.1
Shareholders' Equity	32,128	30,490	5.4
PER SHARE DATA			
Earnings per share			
Net operating income (loss)	(5.08)	.20	
Net gain on real estate	9.01	4.41	
	<u>3.93</u>	<u>4.61</u>	
Dividend per Preferred Share	.75	3.00	
Dividend per Common Share	.75	3.00	

Five Year Summary

(In Thousands of Dollars except per share figures)

	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>
Investment assets					
Cash and short term deposits	\$ 53,586	\$ 75,526	\$ 115,410	\$ 84,122	\$ 61,809
Securities	90,948	63,628	53,285	57,004	29,642
Mortgages and loans	462,160	397,474	299,683	264,081	250,511
Revenue properties	103,802	85,483	41,695	41,232	40,001
Total assets	767,818	654,993	534,847	460,589	395,740
Guaranteed account (customer deposits) ..	610,470	525,819	445,135	388,052	341,450
Shareholders' equity	32,128	30,490	29,663	24,188	15,777
Gross operating income	92,440	87,817	72,134	56,235	45,094
Net operating income (loss)	(2,619)	102	5,191	4,798	3,267
Net gain on real estate	4,642	2,272	1,314	4,385	2,481
Net income for the year	<u>2,023</u>	<u>2,374</u>	<u>6,505</u>	<u>9,183</u>	<u>5,748</u>
Earnings per share					
— net operating income (loss)	(5.08)	.20	10.08	9.32	6.34
— net income for the year	3.93	4.61	12.63	17.83	11.16
Dividends					
— per common share	.75	3.00	2.00	1.50	1.00
— per preferred share	.75	3.00	2.00	1.50	1.00



Report to the Shareholders

Everyone is very aware that the economy in Canada and in particular Western Canada has been slow in recovering from the 1980-81 recession. As a Western based trust company with significant real estate interests, North West Trust Company has suffered along with others including our clients. Everyone recognizes and understands the difficult times we have had. However, at North West Trust we have emphasized an attitude of confidence in the long term return to strength of the Western Canadian market place. This outlook is based upon our belief and confidence in the vital and dynamic human and natural resources which exist in Western Canada and which will lead a recovery.

We have tried to instill a positive and pragmatic attitude to all of our staff and we believe that our financial results for 1983 demonstrate our approach. Our approach can be summarized as follows. We have recognized our problems and have dealt with them realistically. We have pursued investments and aggressively marketed our real estate properties with a maximum of effort and entrepreneurship. Where possible we attempt to work with borrowers who are having trouble repaying their loans rather than immediately foreclosing in an adversary type of relationship. In operations we have had to take certain steps, sometimes with reluctance, to reduce operating costs. We have attracted additional qualified personnel to the Company. These approaches are reflected by our financial statements.

Our net operating income for the year was (\$5.08) per share compared to 20¢ per share in 1982 and net profit per share after gain in real estate was \$3.93 per share down from \$4.61 per share the previous year. What is significant, however, is the fact that these results include provisions for losses of \$9,540,000 on loans and mortgages and write-downs on real estate of \$6,868,000.

With respect to the real estate holdings of the Company in many respects 1983 was a much more difficult year than 1982. The provisions and write-downs taken by the company, we feel, realistically recognize the decline in real estate in the Western Canadian economy and we are confident that further significant loss provisions and write-downs will not be required. As a measure of caution, all of the significant properties of the Company held for sale or

development as well as all properties in foreclosure were appraised by the most qualified independent appraisers available during the latter part of 1983 and where management felt that the carrying value reflected an exposure over market value the necessary adjustment was made. The net income for the year of \$2,023,000 after the significant provisions and write-downs outlined above was only possible due to the efforts of the staff of North West Trust Company in aggressively selling and marketing real estate. The existence of a depressed market did not discourage the staff from achieving a significant profit from real estate sales and the expertise of the company in this area is second to none.

We are looking for significant improvement in operating income for 1984. The management has taken, primarily during the latter part of 1983, significant steps to reduce the operating costs of the company while maximizing income. Part of this process was making a decision to close two branches in the early part of 1984. This decision, along with a multitude of smaller ones will have a beneficial impact on the bottom line. In summary, the Company has experienced a very positive, active and difficult year. The ground work has been laid for improved results in fiscal 1984.

I would personally like to thank all of our employees and agents for their continued support and dedication to the Company and its customers.

We would like to take this opportunity to thank Mr. Gordon Arnell, who will not be standing for re-election as a director at this year's annual meeting due to other commitments, for his significant contribution as a director to our Company.

Also, we would like to welcome Mr. Donald Wheaton to the Board of Directors and look forward to his input into your Company's future.

A handwritten signature in dark ink, appearing to read "L. Rollingher".

Lawrence G. Rollingher
Chairman of the Board of Directors



Consolidated Statement of Income

Year Ended December 31, 1983

	<u>1983</u>	<u>1982</u>
Revenue:		
Mortgages and loans	\$60,540,000	\$53,254,000
Securities and deposits	15,417,000	24,887,000
Rentals	15,120,000	8,494,000
Other	1,363,000	1,182,000
	<u>92,440,000</u>	<u>87,817,000</u>
Expenses:		
Interest on deposits and certificates	65,109,000	64,107,000
Salaries and employee benefits	5,455,000	5,444,000
Rental property expenses	11,944,000	5,385,000
Provision for losses on loans	9,540,000	8,302,000
Other operating expenses	7,001,000	5,283,000
Depreciation	1,466,000	1,007,000
	<u>100,515,000</u>	<u>89,528,000</u>
Operating loss before income taxes	(8,075,000)	(1,711,000)
Income tax recovery	5,456,000	1,813,000
Operating income (loss)	(2,619,000)	102,000
Gain on real estate after applicable income tax recovery of \$594,000 (1982 expense — \$810,000)	4,642,000	2,272,000
Net income for the year	<u>\$ 2,023,000</u>	<u>\$ 2,374,000</u>
Earnings per share:		
Net operating income (loss)	\$ (5.08)	\$.20
Net gain on real estate	9.01	4.41
	<u>\$ 3.93</u>	<u>\$ 4.61</u>

Consolidated Statement of Retained Earnings

Year Ended December 31, 1983

	<u>1983</u>	<u>1982</u>
Balance at beginning of year	\$26,637,000	\$25,810,000
Net income for the year	2,023,000	2,374,000
	<u>28,660,000</u>	<u>28,184,000</u>
Deduct dividends	385,000	1,547,000
Balance at end of year	<u>\$28,275,000</u>	<u>\$26,637,000</u>



Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1983

	<u>1983</u>	<u>1982</u>
Funds at beginning of year:		
Cash and short term deposits	\$ 75,526,000	\$115,410,000
Source of funds:		
Funds provided from operations —		
Net income for the year	2,023,000	2,374,000
Add items not involving funds	3,789,000	7,904,000
Total from operations	5,812,000	10,278,000
Increase in depositors liabilities:		
Deposits	35,739,000	61,173,000
Guaranteed investment certificates	47,695,000	12,316,000
Proceeds on disposal of real estate (net of real estate acquired in trade and mortgages assumed)	18,627,000	15,355,000
Proceeds on disposal of securities	49,373,000	30,155,000
Increase in:		
Mortgages payable	—	19,338,000
Bank loans	—	13,260,000
	<u>157,246,000</u>	<u>161,875,000</u>
Application of funds:		
Net assets acquired (Note 2)	6,128,000	—
Increase in mortgages and loans receivable	57,067,000	95,570,000
Purchase of securities	76,578,000	40,034,000
Acquisition of premises and equipment	323,000	1,716,000
Acquisition of real estate	16,512,000	62,296,000
Dividends paid	385,000	1,547,000
Income taxes paid	8,139,000	—
Decrease in:		
Mortgages payable	6,450,000	—
Bank loans	3,615,000	—
Other assets and liabilities	3,989,000	596,000
	<u>179,186,000</u>	<u>201,759,000</u>
Decrease in funds for the year	(21,940,000)	(39,884,000)
Funds at end of year:		
Cash and short term deposits	<u>\$ 53,586,000</u>	<u>\$ 75,526,000</u>

AUDITORS' REPORT

To the Shareholders of North West Trust Company:

We have examined the consolidated balance sheet of North West Trust Company as at December 31, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements of the preceding year were examined by other Chartered Accountants.

Notes to Consolidated Financial Statements

December 31, 1983

1. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, N.A. Properties Ltd.

(b) Securities

Bonds are stated at amortized cost plus accrued interest.

Stocks are stated at cost plus accrued dividends less provision for losses where a decline in market value represents other than temporary diminution of value. Dividends with record dates prior to the year-end are accrued.

(c) Mortgages and loans

Mortgages and loans are recorded at amortized cost, which includes amounts advanced, interest capitalized and accrued taxes and other charges, less repayments and provision for all anticipated losses.

(d) Real estate

Revenue properties are recorded at acquisition or construction costs less accumulated depreciation of \$2,239,000 (1982 - \$2,242,000) and less provision for losses where a decline in market value represents other than temporary diminution of value. Cost includes all initial leasing costs, interest, property taxes, operating income and expenses until such time as 75% occupancy is attained subject to a reasonable maximum period.

Depreciation on revenue properties is recorded using the 5% sinking-fund method on commercial properties based upon estimated useful lives varying from 30 to 50 years and the diminishing-balance method on residential and apartment properties at annual rates of up to 10%.

Properties held for development or resale are valued at lower of cost and appraised value.

Gains or losses on the sale of real estate are generally recorded in income on disposal, except in instances where a significant portion of the proceeds is not received in cash. In such circumstances, gains are deferred and recorded in income when significant cash proceeds are received.

(e) Office premises and equipment

Office premises and equipment are stated at cost less accumulated depreciation and amortization of \$2,025,000 (1982 - \$1,288,000). Depreciation is recorded on the diminishing-balance method at the following annual rates:

Buildings	5%
Office furniture and equipment	20%
Motor vehicles and data processing equipment	30%

(f) Income taxes

The Company follows the tax allocation basis of accounting for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in deferred taxes.

2. Acquisition

Pursuant to an amalgamation agreement dated June 30, 1983, and approved by the Director of Trust Companies, the Company's subsidiary, N.A. Properties Ltd., amalgamated with four companies engaged in real estate activities and owned by North West Financial Corporation (parent company). The operations continued from that date under the name of N.A. Properties Ltd. This amalgamation has been accounted for by the purchase method with the results of the operations of the amalgamating companies included in the financial statements from the date of amalgamation. The transaction is summarized as follows:

Fair value of assets acquired:			
Mortgages		\$ 3,540,000	
Revenue producing properties		28,638,000	
Properties held for development or resale		20,728,000	
Other assets		3,047,000	\$55,953,000
Fair value of liabilities assumed:			
Bank loans and accounts payable		13,413,000	
Mortgages payable		32,765,000	
Other liabilities		3,647,000	49,825,000
Net cost to the subsidiary			\$6,128,000

The net cost to the subsidiary was satisfied through the issue of preferred shares which were subsequently redeemed.

Subsequent to the amalgamation, N.A. Properties repaid a loan to North West Financial Corporation amounting to \$844,000, which was acquired on amalgamation.

3. Securities

	1983		1982	
	Cost	Market	Cost	Market
Bonds:				
Government of Canada and provincial				
Municipal and corporate	\$43,712,000	\$43,494,000	\$32,028,000	\$34,087,000
	1,923,000	1,938,000	2,817,000	2,698,000
	45,635,000	45,432,000	34,845,000	36,785,000
Stocks	45,313,000	41,909,000	28,783,000	25,905,000
Total securities	\$90,948,000	\$87,341,000	\$63,628,000	\$62,690,000

4. Bank loans and notes payable

Bank loans — against which certain revenue and development properties are pledged:

i) Demand fixed charge debenture	\$ 6,500,000
ii) Demand fixed charge	4,781,000
Notes payable	479,000
	\$ 11,760,000

The rates on these loans vary from 10% to prime + 2½ %.

Notes to Consolidated Financial Statements

Continued

5. Mortgages payable

	1983	1982
Mortgages secured by revenue properties, with interest rates varying from 7½ % to 18½ % and maturing between 1984 and 2022	\$69,306,000	\$40,693,000
Wrapped around mortgages, with interest rates varying from 6½ % to 15½ % and maturing between 1984 and 2021	25,604,000	26,108,000
	<u>\$94,910,000</u>	<u>\$66,801,000</u>

Mortgages and wrapped around mortgages maturing over the next five years are as follows:

1984	\$30,437,000
1985	14,891,000
1986	2,944,000
1987	7,816,000
1988	4,736,000

6. Share capital

Authorized — 500,000 common shares without nominal or par value which shall be issued for a price or consideration not exceeding \$5,000,000 in the aggregate.
— 400,000 first preferred participating shares with a par value of \$10 per share.

7. Directors' and officers' remuneration

The aggregate direct remuneration paid to Directors and Senior Officers amounted to \$915,000 (1982 — \$462,000).

8. Commitments

Contractual obligations in respect of operating leases for premises expiring at various dates up to 1992 amount to \$6,308,000 (1982 — \$6,602,000). Rent paid in 1983 amounted to \$1,448,000 (1982 — \$1,280,000). The future minimum payments under the terms of operating leases for the next five years are:

1984	\$ 1,443,000
1985	1,433,000
1986	1,316,000
1987	643,000
1988	411,000

9. Segmented information

	1983			
	Financial services	Real estate	Eliminations	Consolidated
Revenue from third parties	\$ 80,421,000	\$ 12,019,000	\$ —	\$ 92,440,000
Intersegment revenue	5,009,000	226,000	(5,235,000)	—
	<u>\$ 85,430,000</u>	<u>\$ 12,245,000</u>	<u>(\$ 5,235,000)</u>	<u>\$ 92,440,000</u>
Net operating income (loss)	\$ 502,000	(\$ 3,045,000)	(\$ 76,000)	(\$ 2,619,000)
Net gain on sale of real estate	901,000	3,741,000	—	4,642,000
	<u>\$ 1,403,000</u>	<u>\$ 696,000</u>	<u>(\$ 76,000)</u>	<u>\$ 2,023,000</u>
Identifiable assets	\$695,260,000	\$108,915,000	(\$36,357,000)	\$767,818,000
	1982			
	Financial services	Real estate	Eliminations	Consolidated
Revenue from third parties	\$ 78,232,000	\$ 9,585,000	\$ —	\$ 87,817,000
Intersegment revenue	3,520,000	140,000	(3,660,000)	—
	<u>\$ 81,752,000</u>	<u>\$ 9,725,000</u>	<u>(\$ 3,660,000)</u>	<u>\$ 87,817,000</u>
Net operating income (loss)	\$ 315,000	(\$ 35,000)	(\$ 178,000)	\$ 102,000
Net gain (loss) on sale of real estate	(449,000)	2,720,000	1,000	2,272,000
	<u>(\$ 134,000)</u>	<u>\$ 2,685,000</u>	<u>(\$ 177,000)</u>	<u>\$ 2,374,000</u>
Identifiable assets	\$603,339,000	\$83,778,000	(\$32,124,000)	\$654,993,000

10. Income taxes

The following table sets out a reconciliation of income taxes computed at statutory rates and income tax as provided in the accounts.

	1983	1982
Income (loss) before income tax recoveries	(\$8,075,000)	(\$1,711,000)
Gain on sale of real estate	4,048,000	3,081,000
	<u>(\$4,027,000)</u>	<u>\$1,370,000</u>
Income taxes at combined federal and provincial statutory rates	(\$1,944,000)	\$ 685,000
Income taxes increased (reduced) by:		
Non-taxable portion of net gain on sale of real estate	(745,000)	(1,085,000)
Tax exempt investment income	(1,688,000)	(831,000)
Rate differential between current and deferred taxes on soft costs previously claimed	(1,347,000)	(14,000)
Recovery of previously unrecognized loss-carryforward	(370,000)	—
Other	44,000	242,000
Income tax expense (recovery)	<u>(\$6,050,000)</u>	<u>(\$1,003,000)</u>
Consists of taxes as follows:		
Current	(\$ 510,000)	\$4,366,000
Deferred	(5,540,000)	(5,369,000)
	<u>(\$6,050,000)</u>	<u>(\$1,003,000)</u>
Taxes were provided as follows:		
Recovery on operating income	(\$5,456,000)	(\$1,813,000)
Expense (recovery) on real estate	(594,000)	810,000
	<u>(\$6,050,000)</u>	<u>(\$1,003,000)</u>

11. Related party transactions

- Management fees paid to the North West Financial Corporation (parent company) during the year totalled \$300,000.
- The Company holds mortgages receivable totalling \$5,106,000 which were acquired on October 29, 1982 from related companies and which carry the indemnity of the principals of North West Financial Corporation.
- From time-to-time certain directors and members of senior management enter into transactions with the Company in the normal course of business. None of the transactions entered into during the year were significant.

12. Subsequent event

In order to strengthen the company's capital position as determined for various governmental regulatory purposes, the company's controlling shareholder, North West Financial Corporation, has made commitments for the acquisition of \$10,000,000 subordinated notes of the company, having a minimum term of five years, provided the issuance of the subordinated notes is approved by the shareholders and appropriate regulatory authorities by April 30, 1984. It is anticipated by management that such approvals will be forthcoming.

13. Comparative figures

Certain comparative figures for 1982 have been reclassified to conform with the classifications used in the current year.



Services

Deposit Services

GUARANTEED INVESTMENT CERTIFICATES
SHORT TERM CERTIFICATES
CHEQUING ACCOUNTS
SAVINGS ACCOUNTS
DAILY INTEREST SAVINGS ACCOUNTS

Tax Deferred Investments

REGISTERED RETIREMENT SAVINGS PLANS
REGISTERED RETIREMENT INCOME FUND
REGISTERED HOME OWNERSHIP SAVINGS PLAN
DEFERRED PROFIT SHARING PLAN
NORTH WEST TRUST EQUITY FUND

Customer Services

SAFETY DEPOSIT BOXES
TRAVELLERS CHEQUES
PAYMENT OF UTILITY BILLS
DEPOSIT BY MAIL

Financing Services

COMMERCIAL AND RESIDENTIAL MORTGAGE
LOANS
CONSUMER LOANS
LEASING AND TERM LENDING

Corporate Services

STOCK TRANSFER AGENT AND REGISTRAR
TRUSTEE AND AGENT FOR PENSION, PROFIT
SHARING AND OTHER EMPLOYEE BENEFIT
PLANS
AGENCY ACCOUNTS
INVESTMENT MANAGEMENT

Offices

HEAD OFFICE

7th Floor, 10201 Jasper Avenue
Edmonton, Alberta
Telephone: 420-6071

MORTGAGE DEPARTMENT — HEAD OFFICE

Mortgage Manager: Fred Waymouth, C.R.A.,
F.R.I.

Manager — Interim Financing
& Mortgage Syndications: Robert Taylor

BRANCH OPERATIONS — HEAD OFFICE

Manager: Walter D. Bouillon, M.T.C.I.

BRANCH OFFICES

CALGARY

PanCanadian Plaza
150 - 9th Ave., S.W.
Telephone: 264-5423
Manager: Denis Marson

CAMROSE

4895 - 50 Street
Telephone: 672-7769
Manager: Don McPherson

EDMONTON

10205 Jasper Avenue
Telephone: 428-1212
Manager: Emil Motoska
10277 - 97 Street
Telephone: 422-4171
Manager: John Maroney
7933 - 104 Street
Telephone: 433-4286
Manager: Doug Gess

RED DEER

Bower Place Shopping Centre
1045 - 4900 - 28 St.
Telephone: 347-7891
Manager: Larry LaClare

LETHBRIDGE

College Mall
2025 Mayor Mcgrath Drive
Telephone: 328-9199
Manager: Heinz H. Kleist

NEW WESTMINSTER

632 Columbia Street
Telephone: 522-0757
Manager: Peter Davis

VANCOUVER

803 Hornby Street
Telephone: 685-0451
Manager: Gordon Murphy
Mortgage Manager: Brian Robertson

VICTORIA

1113 Blanshard Street
Telephone: 386-3534
Manager: R. Ann Lougheed

REGINA

1920 Broad Street
Telephone: 565-0660

YORKTON

Parkland Mall
263 Broadway Street East
Telephone: 782-1002
Manager: Hank Ohirko

WINNIPEG

234 Portage Avenue
Telephone: 947-0631
Manager: Ron Hore

SASKATOON

129 - 2 Avenue N.
Telephone: 934-6161
Manager: Bill Nolan

AGENTS LOCATED THROUGHOUT WESTERN CANADA

